



DEPARTMENT OF THE NAVY  
OFFICE OF THE ASSISTANT SECRETARY  
(INSTALLATIONS AND ENVIRONMENT)  
1000 NAVY PENTAGON  
WASHINGTON, D.C. 20350-1000

JUN 23 2003

The Honorable Duncan Hunter  
Chairman, Committee on Armed Services  
United States House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

Section 2884 of Title 10, United States Code requires Congressional notification of each contract for the acquisition or construction of family housing units or unaccompanied housing units that the Secretary proposes to solicit under the housing privatization authorities and for each conveyance or lease proposed under Section 2878.

This letter notifies you of the Department of the Navy's (DON's) intent to solicit proposals for the privatization of military family housing units at installations located in Connecticut, Maine, New Hampshire, New Jersey, New York, and Rhode Island. The DON intends to issue the Request for Proposal no sooner than 30 days after the date of this notification. A report providing details on this project is enclosed. The Office of the Secretary of Defense concurs with this notification.

Similar letters have been sent to the House and Senate Appropriations Subcommittees on Military Construction and the Senate Armed Services Committee.

Sincerely,

A handwritten signature in black ink, appearing to read "Wayne Arny", is written over the typed name.

Wayne Arny  
Deputy Assistant Secretary  
(Installations and Facilities)

Enclosure

Copy to:  
The Honorable Ike Skelton  
Ranking Minority Member

MILITARY HOUSING PRIVATIZATION INITIATIVE  
NAVY REGION NORTHEAST (EAST)  
PROJECT REPORT

INSTALLATIONS:

Naval Submarine Base, New London, Connecticut  
Navy Housing, Fairfield, Connecticut  
Naval Air Station, Brunswick, Maine  
Naval Shipyard, Portsmouth, New Hampshire  
Naval Air Engineering Station, Lakehurst, New Jersey  
Naval Weapons Station, Earle, New Jersey  
Naval Support Unit, Saratoga Springs, New York  
Navy Housing, Mitchel Manor/Mitchel Field, New York  
Naval Station, Newport, Rhode Island

SCOPE:

The purpose of this project is to allow the Department of the Navy (DON) to work with the private sector to upgrade the quality and quantity of family housing, and operate and maintain that housing, in essential areas of need in the Northeast Region. This project will leverage DON assets with private investment to accomplish housing goals faster and at lower cost.

The project will result in the DON's acquisition of a limited liability company interest in a non-governmental entity that will design, finance, construct, renovate, own, operate, maintain and professionally manage multiple family housing developments. The scope of this project will include:

Naval Submarine Base, New London, CT: Privatization of 2,091 existing homes. 192 of the privatized homes will be demolished and replaced with 140 homes, and 1,368 will be renovated. The remaining 531 homes require no work at this time. The end-state of privatized housing at this location for military families will be 2,039 units.

Navy Housing, Fairfield, CT: Privatization of 28 existing homes that are no longer required by the DON. These 28 homes will be sold by the developer. The proceeds from this sale will be used to finance the investment envisioned in this regional project. Thus, there will be no privatized housing at this location.

Naval Air Station, Brunswick, ME: Privatization of 750 existing homes. 27 of the privatized homes will be demolished,

and 212 will be renovated. The remaining 511 homes require no work at this time. The end-state of privatized housing at this location for military families will be 723 units.

Naval Shipyard, Portsmouth, NH: Privatization of 230 existing homes. 32 of the privatized homes will be converted to 16 larger homes, and 30 homes will be renovated. Of the remaining 168 homes, 156 require no work at this time, and 12 are no longer required by the DON. These 12 homes will be rented as "market units". The end-state of privatized housing at this location for military families will be 202 units.

Naval Air Engineering Station, Lakehurst, NJ: Privatization of 189 existing homes. 121 of the privatized homes will be demolished and replaced with 71 homes. The remaining 68 homes require no work at this time. The end-state of privatized housing at this location for military families will be 139 units.

Naval Weapons Station Earle, NJ: Privatization of 254 existing homes. 108 of the privatized homes will be demolished, and 36 will be converted to 18 larger homes. Of the remaining 107 homes, 67 require no work at this, and 43 are no longer required by the DON. The 43 homes no longer required will be sold by the developer. The proceeds from this sale will be used to finance the investment envisioned in this regional project. The end-state of privatized housing at this location for military families will be 85 units.

Naval Support Unit, Saratoga Springs, NY: Privatization of 200 existing homes. 100 of the privatized homes will be renovated. The remaining 100 require no work at this time. In addition, 27 new homes will be built to reduce the family housing deficit. The end-state of privatized housing at this location for military families will be 227 units.

Navy Housing, Mitchel Manor/Mitchel Field , NY: Privatization of 510 existing homes (399 at Mitchel Manor and 111 at Mitchel Field) no longer required by the DON. These 510 homes will be sold by the developer. The proceeds from this sale will be used to finance the investment envisioned in this regional project. Thus, there will be no privatized housing at this location.

Naval Station, Newport, RI: Privatization of 963 existing homes. 114 of the privatized homes will be demolished and replaced with 110, and 189 will be renovated. Of the remaining

660 homes, 496 require no work at this time, and 164 are no longer required by the DON. Of the 164 homes no longer required, 19 will be rented as "market units", and 145 will be sold by the developer. The proceeds from this sale will be used to finance the investment envisioned in this regional project. The end-state of privatized housing at this location for military families will be 795 units.

All 4,210 end-state homes will be made available to active duty military personnel on a right of first refusal basis. The total number of units to be rented at market rates is 31 and the total number to be sold is 726.

In addition, the DON will reserve the right to utilize the business entity to be established via this project to address the privatization of homes other installations subject to prior Congressional approval.

#### AUTHORIZATION:

In addition to title 10 USC, Section 2872, General Authority, the following authorities will apply to this project or may be used in the future:

Section 2872a,	Utilities and Services
Section 2875,	Investments
Section 2878,	Conveyance or Lease of Existing Properties and Facilities
Section 2880,	Unit Size and Type
Section 2881,	Ancillary Support Facilities
Section 2882(c),	Lease Payments through Allotments
Section 2877,	Differential Lease Payments*

\* Not anticipated, but may be used in the future

#### SUMMARY OF PROPOSED TERMS FOR AGREEMENT:

The DON will competitively solicit proposals to acquire a limited liability company interest in a non-governmental entity for the privatization of 5,215 existing homes in the Northeast Region. The scope of the solicitation will require demolition of 562 of the homes and replacement with 321, and approximately \$234.3 million of renovations to 1,967 of the homes, including the conversion of 68 small homes into 34 larger homes. Of the remaining 2,686 homes, 1,929 require no work at this time, and 757 are no longer required by the DON. Of the 757 homes no

longer required by the DON, 31 will be rented as "market units", and 726 units will be sold by the developer. The proceeds from the sale will be used to finance the investment in housing required for this project. In addition, 27 new homes will be built to reduce the family housing deficit. Details by activity are provided in the "Scope" section above.

The existing Government-owned homes will be conveyed via transfer of title. Land associated with homes to be constructed and the 5,215 homes to be conveyed, other than the homes to be sold, will be leased for a term of 50 years. At the end of the 50-year term, leased land will revert to the DON and the entity will be required to transfer title of all infrastructure and improvements then existing, to the Navy. Land associated with the 726 homes to be sold will be conveyed via transfer of title.

The replacement and deficit reduction homes will be safe, high-quality, energy-efficient, three-, four- and five-bedroom, single-family units, townhouses or apartments. The target paygrades are predominantly E1 through E6. All 4,210 end-state homes will be available to active duty military personnel on a priority basis at preferential rents for the 50-year term. Terms of the agreement will ensure that the total of rent, normal utilities, and renter's insurance does not exceed individual military members' Basic Allowance for Housing (BAH).

#### JUSTIFICATION:

This project will significantly improve the family housing living conditions and quality of life for military personnel stationed in the northeast more rapidly than exclusive reliance on military construction. The project will result in the replacement of 321 existing homes that are in disrepair and in need of replacement, and renovations to 1,967 homes.

#### SOURCE OF FUNDS:

It is estimated that no Government funds will be required for this project.

The DON's contribution to the business entity will be calculated in accordance with the provisions of 10 U.S.C 2875(c)(2), which limits the value of the DON cash contribution to 33 1/3 percent and the total contribution to 45 percent of the capital cost of the project. If funding should be required, specific details will be provided prior to execution of any business agreement in accordance with 10 U.S.C. 2883(f).